

Message Text

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ORIGIN EB-07

INFO OCT-01 NEA-10 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 GSA-01 /092 R

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: USINJC, EMIN, ETRD, IN

SUBJECT: MICA

REF: NEW DELHI 16014

1. US MICA INDUSTRY ASSOCIATION (MIA) MET DECEMBER 19 TO CONSIDER RECENT GOI FLOOR PRICE ROLLBACKS AND OTHER MEASURES AIMED AT RESOLVING OUTSTANDING PROBLEMS. AT MIA INVITATION, DEPTOFF ATTENDED MEETING AS OBSERVER.

2. MIA APPRECIATIVE OF GOI EFFORTS AT RESOLVING CURRENT PROBLEMS FACED BY US MICA IMPORTERS, BUT FEELS THAT NUMBER OF LOOSE ENDS STILL REMAIN. UNTIL THESE RESOLVED, MIA HAS DECIDED DEFER ANY ACTION AGAINST ADDITIONAL GSA STOCKPILE RELEASES. MIA PRINCIPALLY CONCERNED OVER GOI'S
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SPLITTING OF SCRAP MICA INTO TWO CATEGORIES FOR PURPOSES OF

FLOOR PRICE, AND OVER ISSUE OF ARBITRATION. IN ADDITION, MIA CONTINUES TO OPPOSE GOI'S 60-40 SPLIT REQUIREMENTS ON TECHNICAL GROUNDS. MIA IS COMMUNICATING ITS VIEWS ON THESE POINTS TO JAIN OF MITCO, AND REQUESTING GOI REPLY BY FEBRUARY 1, 1976. (FYI: DEPARTMENT UNDERSTANDS THAT FAILURE TO RESOLVE 60-40 SPLIT ISSUE WILL NOT RPT NOT KEEP MIA FROM ASKING GSA NOT TO INCREASE FY 1976 MICA DISPOSAL PROGRAM, PROVIDING SCRAP MICA FLOOR PRICE AND

ARBITRATION ISSUES RESOLVED SATISFACTORILY. END FYI.)

3. MARSHALL AND MIA FEEL THAT MITCO MAY HAVE PULLED A FAST ONE BY ESTABLISHING TWO FLOOR PRICES FOR MICA SCRAP OR WASTE (THIS ITEM COVERED AT BOTTOM OF PENULTIMATE PAGE OF GOI'S DECEMBER 5 PUBLIC ANNOUNCEMENT SIGNED BY MISS ROMA MAZUMDAR AND POUCHED TO DEPT BY EMBASSY). MARSHALL ADMITS THAT JAIN RAISED SCRAP MICA FLOOR PRICE ISSUE DURING OCT-NOV MIA-MITCO MEETINGS. TENTATIVE UNDERSTANDING WAS REACHED ON LOWERED FLOOR PRICE FOR SCRAP MICA ON ONE-HALF INCH SCREEN, BUT MIA DID NOT RPT NOT INTERPRET THIS AS MEANING THAT TWO SEPARATE FLOOR PRICES WOULD BE ESTABLISHED (ONE FOR ONE-HALF INCH SCREEN AND ANOTHER FOR THREE-QUARTER INCH SCREEN), AND NO MENTION WAS MADE OF TWO FLOOR PRICES. MIA THUS FEELS THAT ESTABLISHMENT OF TWO FLOOR PRICES WAS NOT RPT NOT IN ACCORD WITH THEIR TENTATIVE UNDERSTANDING REACHED WITH JAIN, AND WISHES ONE FLOOR PRICE FOR SCRAP OR WASTE.

4. ARBITRATION: MIA WISHES ARBITRATION PROVISIONS TO SPECIFY THAT ANY REFUNDS RESULTING FROM ARBITRATION OF CLAIMS WILL BE PAID IN DOLLARS OR OTHER CONVERTABLE CURRENCY. MIA BELIEVES SUCH SPECIFIC PROVISIONS ARE ALL THE MORE IMPORTANT SINCE GOI REGULATIONS REQUIRE OPENING OF 100 PERCENT LETTER OF CREDIT FOR MICA PURCHASES. MIA FELT THAT THIS WOULD NOT BE THE CASE IF GOI ALLOWED LETTERS OF CREDIT FOR 95 PERCENT OF ORDER WITH BALANCE OF PURCHASE PRICE TO FOLLOW AFTER US RECEIPT AND INSPECTION OF MICA, BUT AGREED THAT ANY ATTEMPT TO GET GOI TO REDUCE LETTER OF CREDIT REQUIREMENTS FROM 100 TO 95 PERCENT WAS NON-STARTER. ACCORDING TO MIA, YEARS AGO GOI LIMITED OFFICIAL USE

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ALLOWED US MICA IMPORTERS TO OPEN LETTERS OF CREDIT FOR 90 PERCENT OF ORDER, WITH PAYMENT OF BALANCE AFTER RECEIPT AND ACCEPTANCE OF MICA. THIS WAS THEN CHANGED TO PRESENT SYSTEM UNDER WHICH US IMPORTER OPENS 100 PERCENT LETTER OF CREDIT, WITH BANK OF INDIA PAYING INDIAN EXPORTER 95 PERCENT OF AMOUNT AND HOLDING BACK FIVE PERCENT FOR SIX MONTHS IN ORDER TO SATISFY ANY CLAIMS. HOWEVER, MIA CLAIMS THAT BECAUSE OF STIFF REQUIREMENTS AND RED TAPE

INVOLVED, IT VIRTUALLY IMPOSSIBLE TO COLLECT ANYTHING FROM BANK OF INDIA TO SATISFY CLAIMS. MIA THUS BELIEVES IT VITALLY IMPORTANT TO IMPROVE AND CLARIFY ARBITRATION PROCEDURES TO ENABLE US IMPORTERS TO OBTAIN JUST SETTLEMENT AND PAYMENT OF CLAIMS.

5. MIA WRITING DIRECTLY TO JAIN OF MITCO AND SINGH ON ABOVE MATTERS WITHIN NEXT FEW DAYS, AND WILL SEND EMBASSY COPIES OF LETTERS.

6. ACTION REQUESTED: EMBASSY REQUESTED DISCUSS THESE OUTSTANDING ISSUES WITH APPROPRIATE GOI AUTHORITIES AND URGE THEM TO TAKE FORTHCOMING STAND IN ORDER TO RESOLVE OUTSTANDING DIFFERENCES AND REACH AGREEMENT WITH MIA. ROBINSON

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